

SUBCOMMITTEE NO. 2

Agenda

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Room 112

Agenda (Part 1 of 2) – Vote Only Agenda

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Resources—Environmental Protection—Energy

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3340 California Conservation Corps

1. Capital Outlay

Capital Outlay Finance Letter. The Governor has proposed a capital outlay Finance letter requesting the following amendments to the capital outlay budget for the Corps:

- **Delta Service District Residential Center.** The letter proposes to augment the budget by \$21.7 million from lease revenue bonds for acquisition, preliminary plans, working drawings and construction of a new Delta Service District Residential Center. Funds for this project were originally appropriated in 2002 and, due to delays, have not been expended. The budget proposes to revert \$13.8 million to continue the project. Approximately \$8 million in new lease revenue bonds are requested to cover additional costs needed to complete this project due to significant increases in the cost of construction materials, labor and transportation.
- **Camarillo Residential Satellite.** The letter proposes to augment the budget by \$15.4 million from lease revenue bonds for working drawings and construction of the Camarillo Residential Satellite. Funds for this project were originally appropriated in 2000 from the General Fund and were subsequently reverted due to the state's fiscal condition. Lease revenue bonds were appropriated in 2002 and, due to delays, have not been expended. The budget proposes to revert \$10.3 million to continue the project. Approximately \$5 million in new lease revenue bonds are requested to cover additional costs needed to complete this project due to significant increases in the cost of construction materials, labor and transportation. The Finance letter also proposes to eliminate the reappropriation item included in the January budget to accommodate the reversion proposed in the Finance letter.

Staff Recommendation. Staff recommends that the Subcommittee approve the administration's capital outlay proposal.

3540 Department of Forestry and Fire Protection

1. Fuels Management Activities

Governor's Budget. The budget proposal includes funding for the following fuels management activities:

- **Fuels Management in Southern California.** The budget proposal includes \$14.4 million in federal funds for a three year program to treat forest fuels in Southern California. Of this funding, \$6.9 million was allocated in the current year (through a Section 28.00 letter), \$3.8 million is proposed to be expended in the budget year, and \$3.7 million is proposed to be expended in 2006-07. Approximately \$1.9 million annually is proposed to fund 20 limited-term positions to support the fuels management programs over the three year period. Matching funds required by the federal government are being provided by in-kind contributions of tree removal by Southern California Edison.

- **Improved Utilization of Biomass.** The budget includes \$1.4 million in federal funds for a three year program to improve utilization of biomass waste created by forest fuels management activities. Of this funding, \$840,000 is proposed to be expended in the budget year and \$270,000 is proposed to be expended in both 2006-07 and 2007-08. These funds are proposed to fund contracts to improve biomass utilization in the state, including studies to assess fuel loads and the economic potential of the biomass waste stream. A cooperative co-generation project is also being proposed, along with a media campaign, to encourage utilization of biomass. This effort will be coordinated with various other state agencies involved in this activity, including the Integrated Waste Management Board and the California Energy Commission.

Previous Subcommittee Direction. At the April 18 meeting of the Subcommittee, the Southern California fuels management proposal was held open pending additional information from the department on how funds will be spent to support this proposal, including information to justify the proposed staffing level.

Department Response. The department has provided additional information on how it plans to allocate the funding. Specifically, it plans on allocating the federal funding to the following programs:

- **Cooperative Fire Program.** Approximately \$650,000 is proposed for this program for the budget year and 2006-07. The program is the primary funding source for the actual removal of dead trees along evacuation routes, safety areas and communication sites. (\$1.3 million was provided for this program in the current year.)
- **Cooperative Forest Health Protection and Forest Health Enhancement.** Approximately \$1.7 million is proposed for the budget year and \$1.6 million for 2006-07 for this program, which may be used to support prevention and ecosystem restoration activities. These funds are being used for resource assessments, environmental compliance, thinning and brush removal, and technical support for landowners and local jurisdictions. (\$3 million was provided for this program in the current year.)
- **Volunteer Fire Assistance.** No funds are being provided to modernize and update equipment in the budget year or in 2006-07. (\$1 million was provided as a one-time pass through in the current year.)
- **Forest Stewardship.** Approximately \$1.5 million is proposed for the budget year and 2006-07 for this program, which is used to fund reforestation and nursery production. (\$1.5 million was also provided for this program in the current year.)

Staff Recommendation. Staff recommends that the Subcommittee approve this proposal as budgeted.

2. Technical Adjustments

May Revision. The administration proposes the following technical adjustments to the budget:

- Adjust lease revenue expenditures to reflect a \$915,000 reduction in reimbursements, and other cost adjustments resulting in an increase in General Fund of \$1.1 million.
- Adjust lease revenue payments for the budget year due to an increase in insurance resulting in an increase in General Fund of \$4,000.

Staff Recommendation. Staff recommends that the Subcommittee approve the technical adjustments.

3. Disabled Veteran Contractors

Background. Existing law provides that state agencies have a goal of assigning 3% of contracted services to certified disabled veteran businesses. Staff is concerned that CDF is not meeting this state goal.

Previous Subcommittee Direction. At the April 18 meeting of the Subcommittee, staff was directed to gather additional information, consult with CDF and disabled contractors, and develop recommendations on how to improve the department's ability to meet goals related to contracted services by certified disabled veteran businesses.

Department Response. In subsequent meetings with the department, staff found that, in some cases, districts had been inconsistent in their contracting practices related to disabled veteran owned companies. The department indicated that it would do more to standardize the contracting practices by all of its districts so that disabled veteran-owned businesses were awarded contracts consistent with state law.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following supplemental report language requiring the department to report back on its efforts to contract with certified disabled veteran businesses:

1. On or before January 10, 2006, CDF shall report to the Legislature on its efforts to contract with certified disabled veteran business enterprises during the 2005 fire season. The report shall include the amount paid to these enterprises in the 2005 fire season compared to 2004. The report shall also inform the Legislature of the department's efforts to train its employees, including dispatchers, in order to minimize the frequency and duration of lost opportunities for certified disabled veteran business enterprises to be awarded contracts and to employ their workers during the fire season. The Legislature will provide an opportunity for certified disabled veteran business enterprises to review and comment on the CDF report.

4. Capital Outlay

Governor's Budget. The budget proposes to expend \$47 million for capital outlay projects to improve CDF facilities in 2005-06. Approximately \$42 million is proposed to be funded by lease revenue bonds and the remaining \$5 million is supported by the General Fund.

Previous Subcommittee Direction. At the April 18 meeting of the Subcommittee, \$294,000 of General Fund monies for the Bear Valley project was left open pending receipt of the scope and costs for the project.

Capital Outlay Finance Letter. The Finance Letter proposes significant expenditure increases in various of the department's capital outlay projects. The Letter proposes to increase General Fund expenditures by a net of \$1.2 million and lease revenue bond expenditures by \$96 million. The majority of the cost escalations are due to material and labor cost increases, as well as increases in the cost of CDF's prototypical facilities. (The costs of CDF's prototypical facilities are based on actual bids for similar projects recently received throughout the state.) The Finance letter proposes reversions and new appropriations. The administration indicates that the funds are being reverted to simplify and facilitate the sale of lease revenue bonds for these projects:

- **Bear Valley Helitack Base (HB).** The letter proposes to eliminate \$294,000 General Fund for preliminary plans to replace the water system at this base. A defined scope and cost for this project has not been completed, but is expected to be included in the 2006-07 budget.
- **Utility Upgrades for Owens Valley Conservation Camp (CC).** The letter proposes an additional \$1.5 million General Fund to cover the construction costs for this project. This is in addition to the \$1.9 million provided in 2004. The additional costs for this project are based on the actual bid that came in higher than projected.
- **Replace Alma HB.** The letter proposes to revert \$5.2 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$6.5 million in lease revenue bonds for preliminary plans, working drawings and construction of the project. Increased costs are partly due to needed design changes to add retaining walls, a mounded septic tank system, and a two-story barracks building.
- **Replace Altaville Forest Fire Station (FFS).** The letter proposes to revert \$2.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.8 million in lease revenue bonds for working drawings and construction of this project. Increased costs are partly due to groundwater contamination issues.
- **Replace Antelope FFS.** The letter proposes to increase lease revenue bonds by \$236,000 to complete construction of this project. This project is currently under construction and these funds would complete the project.
- **Remodel Bautista CC.** The letter proposes to revert \$3.9 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$4.8 million for preliminary plans, working drawings and construction of this project. Increased costs are partly due to specific issues related to design changes for on-site water storage facilities.
- **Replace Dew Drop FFS.** The letter proposes to revert \$2.1 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.5 million for acquisition and construction for this project. Increased costs are due to market conditions and general cost increases.
- **Replace Elk Camp FFS.** The letter proposes to revert \$2.1 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.8 million for working drawings and construction for this project. Increased costs are partly due to Caltrans requirements to widen the existing road and required CEQA work associated with this project.
- **Relocate Harts Mill FFS.** The letter proposes to revert \$2 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.4

million for construction of this project. Increased costs are partly due to additional survey and grading work needed on the project site.

- **Relocate Hemet Ryan Air Attack Base (AAB).** The letter proposes to revert \$6.3 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$8.3 million for acquisition and construction for this project. Increased costs are partly due to design changes that require relocating the utilities underground.
- **Relocate Independence FFS.** The letter proposes to revert \$1.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.8 million for working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Automotive Shop at Mendocino Ranger Unit Headquarters (RUH).** The letter proposes to revert \$1.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.3 million for working drawings and construction of this project. Increased costs are partially due to market conditions and general cost increases.
- **Replace Nipomo FFS.** The letter proposes to revert \$2.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.9 million in lease revenue bonds for acquisition and construction for this project. Increased costs are due to market conditions and general cost increases.
- **Replace Pacheco FFS.** The letter proposes to revert \$2 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.5 million in lease revenue bonds for acquisition and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Rancheria FFS.** The letter proposes to revert \$2.3 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.3 million in lease revenue bonds for working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Relocate Raymond FFS.** The letter proposes to revert \$2.7 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.4 million for preliminary plans, working drawings and construction of this project. Increased costs are partially due to additional site work needed based on geotechnical reports.
- **Replace San Luis Obispo RUH.** The letter proposes to revert \$8.3 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$10.3 million for construction of this project. Increased costs are due to scope changes required when the U.S. Forest Service pulled out of this project. Delays have occurred on this project since construction cannot commence until land is transferred from CSU to CDF.
- **Relocate San Marcos FFS.** The letter proposes to revert \$2.1 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.9 million in lease revenue bonds for preliminary plans, working drawings, and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Auto Shop at Santa Clara RUH.** The letter proposes to revert \$1.6 million in lease revenue bonds that have not been expended for this project. The letter proposes to

appropriate \$1.7 million for preliminary plans, working drawings and construction of this project. Approximately \$1 million is also provided for this project in the Governor's January budget. Increased costs are due to market conditions and general cost increases.

- **Relocate Springfield FFS.** The letter proposes to revert \$2.7 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.7 million in lease revenue bonds for preliminary plans, working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Stevens Creek FFS.** The letter proposes to revert \$2.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.9 million for acquisition, working drawings and construction of this project. Increased costs are partly due to needed septic system changes.
- **Relocate Sweetwater FFS.** The letter proposes to revert \$2.5 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.7 million for preliminary plans, working drawings and construction of this project. Approximately \$393,000 is provided for this project in the Governor's January budget. Increased costs are due to market conditions and general cost increases.
- **Replace Twain Harte FFS.** The letter proposes to revert \$3.5 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.8 million in lease revenue bonds for preliminary plans, working drawings and construction of the project. Increased costs are due to market conditions and general cost increases.
- **Replace Usona FFS.** The letter proposes to revert \$1.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.3 million in lease revenue bonds for working drawings and construction of this project. Increased costs are partly due to unanticipated soil conditions that required the relocation of the septic leach field to accommodate a new well.
- **Replace Vallecito CC.** The letter proposes to revert \$2.6 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.5 million in lease revenue bonds for working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Construct Shop at Ventura Youth CC.** The letter proposes to revert \$1.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.7 million in lease revenue bonds for working drawings and construction of this project. Construction has been delayed due to pending transfer of land between CYA and CDF. Increased costs are due to market conditions and general cost increases.
- **Replace Warner Springs FFS.** The letter proposes to revert \$2.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.6 million for acquisition, preliminary plans, working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Construction of FFS Statewide.** The letter proposes to appropriate \$6.3 million in lease revenue bonds to augment funds for preliminary plans, working drawings and construction of various FFS around the state. Fire stations proposed for replacement include stations in Boonville, Bridgeville, Cloverdale, Colfax, Nevada City and Weott. Approximately \$30.4 million in lease revenue bonds was provided for these projects in

the Governor's January budget. Increases are due to market conditions and reflect actual bids received for construction of these projects.

Reversions are also proposed for the following projects:

- **Construct Vehicle Apparatus Building and Replace Shop at Fenner Canyon CC.**
- **Relocate South Operations Area Headquarters.**
- **Relocate Batterson FFS.**
- **Remodel Baseline CC.**

Staff Recommendation. Staff recommends that the Subcommittee approve the amendments proposed in the Capital Outlay Finance Letter.

3560 State Lands Commission

1. Environmental Review of Liquefied Natural Gas and Marine Oil Terminal Applications

Governor's Budget. The administration is proposing \$114,000 from reimbursements to extend one limited-term environmental scientist to support the increased workload of the SLC's environmental review activities related to LNG and MOT applications. The SLC has three positions (including the requested limited-term position) providing environmental review of applications received by SLC. The SLC's environmental review activities are reimbursed by the companies developing proposals for LNG facilities and new MOTs.

Previous Subcommittee Direction. At the March 14 meeting of the Subcommittee the Resources Secretary was directed to provide workload information on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications, including information on current staffing levels.

Agency Response. The Resources Secretary has not provided additional information on staffing needs at the commission to adequately review LNG facility applications. The Commission indicates that its work is being 100 percent reimbursed by the companies seeking to site LNG facilities off the coast of California. The Commission projects that it will be fully staffed if this budget proposal is approved.

Staff Recommendation. Staff recommends that the Subcommittee approve this proposal as budgeted.

2. Ballast Water Management Program

Governor's Budget. The budget proposes expenditure of \$1.9 million from the Marine Invasive Species Control Fund for implementation of the Ballast Water Management Program at the SLC. Approximately \$400,000 of the \$1.9 million is provided to the Board of Equalization for

administrative costs associated with collecting the fee. This leaves approximately \$1.5 million at the commission to manage this program.

Previous Subcommittee Direction. At its March 14 meeting, the Subcommittee withheld action on the Ballast Water Management Program pending receipt of an overdue report that provides a summary of baseline information regarding the ballast water discharged into the state's waters. Staff was directed to review the report and ensure that the commission's activities were consistent with legislative direction and to evaluate whether the commission's proposal to reduce the fee charged vessels entering state waters was warranted.

Staff Comments. The Commission's report on the California Marine Invasive Species Program was received on April 21. Staff reviewed the report and found that the commission's activities have been consistent with statutory direction. Staff understands that the current research schedule is being fully funded in the budget year. Therefore, the commission appears to be justified in revising its fee schedule downward given the better than expected compliance in paying the fee.

Staff Recommendation. Staff recommends that the Subcommittee approve this proposal as budgeted.

3680 Department of Boating and Waterways

1. Capital Outlay

Capital Outlay Finance Letter. The Governor has proposed a capital outlay Finance letter requesting the following amendment to the capital outlay budget for the Department of Boating and Waterways:

- **Channel Islands Boating Instruction and Safety Center.** The letter proposes to augment the budget by \$166,000 from the Harbors and Watercraft Revolving Fund for working drawings for the Channel Islands Boating Instruction and Safety Center. Modifications are needed to the original plans due to input from the California Coastal Commission.

Staff Recommendation. Staff recommends that the Subcommittee approve the administration's capital outlay proposal.

2. Harbors and Watercraft Revolving Fund Balance

Large Fund Balance. The department's Harbors and Watercraft Revolving Fund is projected to have a \$20.9 million balance remaining at the end of the budget year. These funds could be used to provide additional loans in the budget year.

The Subcommittee may want to consider allocating the excess fund balance to allow for additional loans to be made in the budget year. Staff has been notified that loans could be

accelerated for the following projects that are waiting for additional funding from the Revolving Fund:

- \$11.3 million for the San Francisco Marina project.
- \$6 million for the Long Beach Marina Alamitos Bay Basin 1 project.
- \$300,000 for the Long Beach Basins 2 and 3 projects.
- \$1 million for the Dana Point Marina.

Allocation of the funds listed above would result in a \$2.3 million balance in the Harbors and Watercraft Revolving Fund at the end of 2005-06.

Staff Recommendation. Staff recommends that the Subcommittee allocate the reserves in the Revolving Fund to the projects listed above.

3790 Department of Parks and Recreation

1. Capital Outlay

Capital Outlay Finance Letter. The Governor has proposed a capital outlay Finance letter requesting amendments to the capital outlay budget for the Department of Parks and Recreation.

The letter proposes the following amendments funded by Proposition 12 bond funds:

- **Restore Sepulveda Adobe at Malibu Creek SP.** The letter proposes \$384,000 to augment \$1 million in construction costs allocated in 2004 for this project. These additional costs are related to construction of a bridge over the creek in order to minimize the environmental impacts of the development. The Finance letter also proposes to reappropriate \$154,000 for working drawings and \$1 million in construction costs allocated in 2004.
- **Development of Visitor Center at Chino Hills SP.** The letter proposes \$726,000 to augment \$1.7 million in construction costs allocated in 2004 for this project. The majority of the additional costs are associated with design changes needed to comply with an increased flood level line.
- **Improvements to Campground and Day Use Facilities at Silverwood Lake SRA.** The letter proposes \$526,000 to augment the \$2.4 million in construction costs allocated in 2002 for this project. The additional costs are driven by the increased costs of steel and concrete.
- **Rebuild South Cardiff Facilities at Cardiff SB.** The letter proposes \$500,000 to augment the \$2 million in construction costs allocated in 2002 for this project. The additional costs are driven by the increased costs of construction materials and overall inflation in construction contract costs. This project has been bid twice and both times the bid came in higher than allocated funds. The Finance letter also proposes to reappropriate the \$2 million in construction costs originally allocated in 2002.
- **Minor Capital Outlay.** The letter proposes \$500,000 to improve the HVAC system, plumbing and moisture protection systems at the park visitor center at Bolsa Chica SB. These improvements will minimize operations and maintenance expenses of the facilities.

- **Renovate Rancho San Andreas Castro Adobe.** The letter proposes \$132,000 to augment approximately \$500,000 in construction costs allocated in 2002 for this project. The majority of the additional costs are associated with unanticipated damage to the original historic structure. The Finance letter also proposes to reappropriate approximately \$400,000 in construction costs allocated in 2002.
- **Trail Development at Kenneth Hahn SRA.** The letter proposes to reappropriate \$500,000 for trail development on a recent acquisition. The department is working with the Baldwin Hills Conservancy to complete trail work in the budget year. These funds were originally appropriated in 2001.
- **Stabilization of Powerhouse at Folsom Powerhouse SHP.** The letter proposes to reappropriate \$388,000 to continue project construction. The administration indicates that unforeseen problems were discovered during stabilization and additional funds are being requested to complete the project. These funds were originally appropriated in 2002.
- **Sediment Basins and Road Realignment at Border Field SP.** The letter proposes to reappropriate \$2.9 million to continue construction of sediment retention basins, restoration of riparian habitat and realignment of the park entrance road. Approximately \$2.5 million is from reimbursements and \$400,000 is from Proposition 12 bond funds. These funds were originally appropriated in 2002.
- **Construct Visitor Center for Folsom Powerhouse SHP.** The letter proposes to reappropriate \$1.7 million for working drawings, construction and equipment for this project. The project is anticipated to proceed to bid in May 2005. The administration indicates that this reappropriation would not be needed if this occurs. All of these funds are provided through reimbursements. These funds were originally appropriated in 2002.
- **Construct Visitor Center at Chino Hills SP.** The letter proposes to reappropriate \$1.7 million for construction and equipment for this project. The administration indicates that inflation and market conditions have increased costs of the project and additional funds are being requested to complete the project. These funds were originally appropriated in 2004.
- **El Morro Mobilehome Park Conversion at Crystal Cove SP.** The letter proposes to reappropriate \$9.8 million for construction of this project. Current litigation has delayed the ability of the department to take this project to bid. These funds were originally appropriated in 2004.

The letter proposes the following amendments funded by Off-Highway Vehicle Trust funds:

- **Improve Prairie City SVRA.** The letter proposes to reappropriate \$6.4 million for working drawings and construction of this project. Fog has caused delays in required aerial surveys. The administration indicates that the project is anticipated to proceed to bid in the current year, but that the reappropriation is requested in case of unforeseen circumstances.
- **Unallocated Capital Outlay.** The letter proposes to reappropriate \$1.6 million added by the Legislature in 2004 for an unallocated acquisition. The administration has indicated a partnership opportunity has emerged to acquire property in the Gabilan Range to buffer the existing Hollister Hills SVRA. The administration indicates that it is currently defining the project to be funded with these funds.

The letter proposes the following amendments funded by Proposition 40 bond funds:

- **Restore Historic Cottages at Crystal Cove SP.** The letter proposes \$567,000 to augment \$9.3 million in construction costs allocated in 2002 for this project. The additional costs are needed due to unforeseen damage to the cottages, including dry rot and pest damage. The Finance letter also proposes to reappropriate \$991,000 that was appropriated in 2004. The administration indicates that another \$1.5 million augmentation is being requested at the Public Works Board to cover additional cost overruns related to increased material costs and market conditions on construction contracts.
- **New Lifeguard Headquarters at Doheny SB.** The letter proposes \$263,000 to augment \$1.1 million in construction costs allocated in 2004 for this project. The additional costs are requested to address a foundation design modification needed and general cost increases related to market conditions for materials and construction contracts. The letter also proposes to reappropriate the \$1.1 million allocated for construction of this project.
- **New Lifeguard Headquarters at Lake Perris SRA.** The letter proposes \$572,000 to augment \$824,000 in construction and equipment costs allocated in 2004 for this project. The additional costs are requested due to general cost increases related to market conditions for materials and construction contracts. The letter also proposes to reappropriate the \$824,000 allocated for construction and equipment for this project.
- **Reconstruct Fur Warehouse at Fort Ross SHP.** The letter proposes \$2.3 million for construction of this project. This funding for this project is proposed to be shifted from Proposition 12 bond funds to Proposition 40 bond funds due to a reduced level of available Proposition 12 bond funds. Costs associated with this project are expected to increase by \$596,000 due to its remote location and the decision to utilize historic Russian construction methods that are more labor intensive.
- **Restore Historic Landscape at Will Rogers SP.** The letter proposes to reappropriate \$543,000 for construction of this project. The administration indicates that it is close to going out to bid this project, but proposes to reappropriate the funds in case of unforeseeable circumstances that delay the bidding process.
- **Planning Study for Topanga SP.** The letter proposes to reappropriate \$552,000 for immediate public use and studies to support general planning of the long-term development of this park. The letter also proposes to reappropriate \$526,738 for various public use improvements to the park at the historic Trippet Ranch, Hub Junction, and Los Liones areas of the park. The department has indicated that it is awaiting action by the California Coastal Commission related to coastal permit approvals.
- **Planning Study for Taylor Yard - Los Angeles River Parkway.** The letter proposes to reappropriate \$958,000 for immediate public use and to support general planning for this parkway. Delays have occurred due to a new joint planning process that matches the city schedule and due to delays in obtaining necessary environmental documents. The department indicates that additional funding will be needed to complete this project.
- **Planning Study for Cornfields Project.** The letter proposes to reappropriate \$272,000 for immediate public uses and studies to support general planning of the long-term development of this park. This project has been delayed due to the installation of a temporary art project by the Annenberg Foundation. The foundation will plant heritage corn as part of a temporary agricultural landscape that will conclude in early November. The foundation has agreed to pay for costs associated with the delay of the state's immediate public use plans.

- **Acquisitions.** The letter proposes to reappropriate \$13 million that will be used to acquire desirable state park properties statewide.
- **California Indian Museum.** The letter proposes to reappropriate \$4.6 million for working drawings and construction of this project. This plan has been delayed because of the need to identify a new site for the museum and delays in finalizing architectural designs.
- **Rehabilitation of Railroad Technology Museum.** The letter proposes to reappropriate \$11.6 million for working drawings and construction of this project. Reimbursements are proposed to offset \$5 million of the funds proposed for expenditure in the budget year. This project has been delayed due to general lack of agreement on how to proceed.
- **Wastewater Upgrades at Big Basin Redwoods SP.** The letter proposes to reappropriate \$1.1 million for construction and equipment for this project. This project was delayed due to problems with the initial bid process.
- **Sewer Upgrades at Morro Bay SP.** The letter proposes to reappropriate \$968,000 for construction of this project. This project was delayed due to permitting issues.
- **Rehabilitation of Public Use Facilities at Malibu Creek SP.** The letter proposes to reappropriate \$402,926 for preliminary plans for this project. Plans to rehabilitate facilities at the Tapia area of the park have been delayed due to land transfer problems.
- **Stabilization at Shasta SHP.** The letter proposes to reappropriate \$361,000 for preliminary plans for twelve gold rush era structures at this park. The administration indicates that the plans will be approved in November of 2005.
- **Water System Improvements at Fort Ross SHP.** The letter proposes to reappropriate \$1.1 million for this project. The administration has indicated that additional funding is needed to complete this project.
- **New Visitor Center at Donner Memorial SP.** The letter proposes to reappropriate \$5.9 million for working drawings, construction and equipment for this project. Reimbursements are proposed to offset \$3 million of the funds proposed for expenditure in the budget year. Delays have resulted from unforeseen state and federal environmental issues and the short construction window in the Sierra region.
- **New Visitor Center at Calaveras Big Trees SP.** The letter proposes to reappropriate \$3.7 million for working drawings, construction and equipment for this project. Reimbursements are proposed to offset \$500,000 of the funds proposed for expenditure in the budget year. Delays have occurred due to design changes, environmental constraints and the short construction window in the Sierra region.
- **Preservation of Stamp Mill at Plumas-Eureka SP.** The letter proposes to reappropriate \$891,567 for a study and construction of this project. Studies are underway, but construction is not expected for another year due to the short construction window in the Sierra region.
- **Rehabilitate Pudding Creek Trestle at MacKerricher SP.** The letter proposes to reappropriate \$1.9 million for construction of this project. The administration indicates that this project should proceed to bid in April or May of this year and that reappropriation may not be needed.

The letter proposes the following amendments to revert bond funds allocated to capital outlay projects in prior budget years:

- **Reconstruct Fur Warehouse at Fort Ross SHP.** The letter proposes to revert \$1.7 million in Proposition 12 bond funds to obtain a prudent reserve to cover other program costs funded by Proposition 12. Approximately \$2.3 million from Proposition 40 is proposed to fund this project in the budget year.
- **Expand Lifeguard Facility at Huntington SB.** The letter proposes to revert \$3.5 million in Proposition 40 bond funds to obtain a prudent reserve to cover other program costs funded by Proposition 40. The administration is proposing delaying this project due to insufficient funds for existing projects.

Staff Recommendation. Staff recommends that the Subcommittee approve the administration's capital outlay proposal.

2. Local Park Reappropriation

Background. Staff finds that funds provided to a local park facility in the City of Redlands will not be expended before the end of the current fiscal year. These funds need to be reappropriated so that they can fund the project they were originally appropriated for in 2000.

Staff Recommendation. Staff recommends that the Subcommittee approve the following budget bill language to reappropriate General Fund monies appropriated in prior budget years for the following local park project:

3791-491 --- Reappropriation, Department of Parks and Recreation. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided in the appropriation, and shall be available for encumbrance or expenditure until June 30, 2008:

0001 – General Fund

Item 3790-101-0001, Budget Act of 2000 (Ch. 52, Stats. 2000)
80.25 Recreational Grants
(184) City of Redlands: Local park facility

3860 Department of Water Resources

1. Reversion—Proposition 13 Funds

May Revision. The Governor's budget proposes to revert \$12.9 million in Proposition 13 bond funds. These funds have not been expended because planned projects were not undertaken or were completed at a lower cost than expected. These funds are proposed for reversion so that they can be expended in future budget years on new projects.

Program/Account	Amount	Fund Source	Year Appropriated
Urban Streams Restoration Program	75	Prop 13	2001-02
Urban Streams Restoration Program	1,098	Prop 13	2002-03
Urban Streams Restoration Program	71	Prop 13	2003-04
Total Urban Streams Program	\$1,243		

Program/Account	Amount	Fund Source	Year Appropriated
Flood Protection Corridor Program	\$411	Prop 13	2003-04
Yuba Feather Flood Protection Program	139	Prop 13	2000-01
Yuba Feather Flood Protection Program	2,980	Prop 13	2001-02
Yuba Feather Flood Protection Program	3,186	Prop 13	2002-03
Yuba Feather Flood Protection Program	341	Prop 13	2003-04
Yuba Feather Flood Protection Program	4,543	Prop 13	2003-04
Total Flood Protection	\$11,599		

Program/Account	Amount	Fund Source	Year Appropriated
River Protection Subaccount (state operations)	28	Prop 13	2003-04
Total River Protection Subaccount	\$28		

Staff Recommendation. Staff recommends that the Subcommittee approve the reversions proposed in the May Revision.

2. Extension of Liquidation Period—Proposition 13 Funds

May Revision. The May Revision requests to extend the liquidation period for various Proposition 13 bond funded projects that will not be completed before the end of the fiscal year. These projects have been delayed for a variety of reasons, such as complications in the feasibility study and design phases of the projects.

- **Flood Protection Corridor Program.** The May Revision proposes to extend the liquidation period for \$6.6 million from 2000-01 and \$14.7 million from 2002-03 for various contracts to implement floodwater conveyance improvements and to provide transitory storage for peak floodwater flows in floodplains.
- **Yuba Feather Flood Protection Program.** The May Revision proposes to extend the liquidation period for \$267,401 from 2000-01 and \$438,330 from 2002-03 for contracts to complete planning and feasibility work on Yuba Feather flood protection projects.
- **Urban Streams Restoration Program.** The May Revision proposes to extend the liquidation period for \$5.7 million from 2002-03 for restoration work that has been delayed due to delays in permitting, needed coordination among multiple agencies, and

the unforeseen issues related to prevailing wage and the use of volunteers for restoration work.

Staff Recommendation. Staff recommends that the Subcommittee approve these proposed extensions of the liquidation period.

3. Reappropriation—Proposition 13 Funds

May Revision. The May Revision proposes to reappropriate Proposition 13 bond funds that will not be encumbered prior to the end of the fiscal year. These projects have experienced unexpected delays. The projects proposed for reappropriation include the following:

- **Yuba Feather Flood Protection Program.** \$468,000 for grants to implement flood protection projects in the Yuba-Feather Rivers area.
- **Infrastructure Rehabilitation Program.** \$1 million for the Madera County Oakhurst project funded from the Water Conservation Account. These funds have been delayed because Madera County needed to identify an appropriate project and complete a feasibility study before it could access this funding.

Staff Recommendation. Staff recommends that the Subcommittee approve the reappropriations proposed in the May Revision.

3900 Air Resources Board

1. Carl Moyer Air Quality Program

Governor's Budget. The Governor's budget proposes approximately \$25 million funded by the increase in the tire fee (deposited in the Air Pollution Control Fund) to implement AB 923. This includes \$23 million for grants, approximately \$1 million to support 12 new positions, and \$500,000 in contract funds. The additional contract funds are proposed to support public outreach to environmental justice communities and technical assistance. The 12 new positions are requested to develop new programs for agricultural sources, fleet modernization, and to develop criteria for the inclusion of reactive organic gasses and toxic particulate matter into the expanded Carl Moyer program. In addition, the administration proposes to retain 10 percent of the Carl Moyer grant funds for a statewide initiative related to goods movement.

Current Year Revenues Not Reflected. The LAO finds that the budget does not account for the receipt of a projected \$12 million of tire fee revenues that will be collected in the current year to support the Carl Moyer program. The LAO recommends that the administration include a plan for expenditure of the \$12 million in current-year revenues currently unaccounted for in the January budget proposal.

Previous Subcommittee Direction. At the April 4 meeting of the Subcommittee the board was directed to report on its plans for expending the \$12 million in tire fee revenues not accounted for in the budget year.

May Revision. The May Revision proposes to expend the \$12.5 million in unaccounted for tire fee revenues in the budget year. The LAO identified that these revenues were not accounted for in the Governor's January budget. The department plans to expend these revenues consistent with the Carl Moyer grant program. With these revenues, total Carl Moyer funding in the budget year is approximately \$37.5 million.

Staff Recommendation. Staff recommends that the Subcommittee approve the Governor's May Revision proposal.

3940 State Water Resources Control Board

1. Underground Storage Tank Cleanup Fund Program

Background. Chapter 774, Statutes of 2004 (AB 1906, Lowenthal) increases the petroleum tank fee (was \$0.12 per gallon in 2004) that supports the underground storage tank program by \$0.01 per gallon on January 1, 2005. An additional increase of \$0.01 per gallon is slated to go into effect on January 1, 2006. These increases will raise an additional \$8 million in the current year, \$24 million in 2005-06, and \$33 million in 2006-07. This legislation also requires that \$10 million be shifted to an Orphan Subaccount annually to support the cleanup of abandoned Brownfield sites that have been contaminated by petroleum products where there is no financially responsible party. Transfers to the Orphan Subaccount are scheduled to sunset on January 1, 2008 and the entire underground storage tank program is scheduled to sunset in 2011.

Previous Subcommittee Direction. At the April 4 meeting of the Subcommittee, staff, the LAO, and the administration were directed to develop trailer bill language that provides additional criteria for allocating the Orphan Subaccount funds for Brownfield development.

Staff Comments. Staff finds that the board is working on regulations related to allocating the Orphan Subaccount. Staff will continue to work on crafting criteria, if needed.

Staff Recommendation. The Subcommittee has already approved, as budgeted, funding for the Underground Storage Tank Cleanup Fund Program and staff is not recommending trailer bill language at this time, so no action is needed.

2. Enforcement Activities

Background. On April 4, the Subcommittee asked the Secretary of Cal-EPA to report on its agency-wide enforcement initiative. The Secretary has reported that they are working to improve their management of information in order to better prioritize enforcement activities based on the greatest risk to the environment and to initiate an agency-wide complaint tracking system.

The Secretary has asked that the board implement the following improvements to its current enforcement program in a memorandum dated March 23, 2005:

- Develop a statewide approach for prioritization of enforcement actions which requires the State Water Board to review regional board enforcement activities on an annual basis.
- Transition to an electronic data filing system that will enable automated compliance checking and the development of a “compliance report card” for dischargers.
- Create a clear division of duties between permitting and enforcement staff.
- Coordinate enforcement strategies regionally in conjunction with other enforcement agencies to ensure that violations are promptly and consistently addressed.
- Standardize permitting requirements and permit monitoring in order to improve enforceability.
- Standardize the imposition and collection of mandatory minimum penalties.
- Develop a uniform program for addressing chronic violators.

Previous Subcommittee Direction. At the April 25 meeting of the Subcommittee, the board was directed to provide information on the funding needed to implement the improvements to the enforcement program outlined in the March 23, 2005 memorandum from the Secretary for Cal-EPA.

Board Response. The board indicates that it is currently in the process of reassessing how it handles enforcement and what potential improvements are needed. The board indicates that staff redirections are being used to accomplish the current improvements and that the current reassessment would include evaluation of any additional staffing resources needed for the 2006-07 budget.

Staff Recommendation. Staff does not recommend any further action at this time.

3. Bond-Funded Grant Programs

Governor’s Budget. The Governor proposes allocation of \$165.4 million in bond funds from Propositions 13 and 50 resources bonds. The bond funds are allocated to the following programs consistent with allocations specified in the bond acts:

- **Coastal Water Quality.** The budget includes \$66.5 million in Proposition 50 bond funds for grants to finance projects that restore and protect water quality and the environment in coastal waters, estuaries, bays and near-shore water and groundwater. Approximately one-half of these funds are for the Clean Beaches program.
- **Integrated Regional Water Management.** The budget includes \$55 million Proposition 50 bond funds for grants to finance integrated water management projects and feasibility studies in conjunction with the Department of Water Resources. Approximately \$26 million was allocated for the first round of grants in 2003-04.
- **Small Community Wastewater Grants.** The budget includes \$20.7 million Proposition 50 bond funds for grants to assist in the construction of publicly owned wastewater treatment and collection facilities. Approximately \$16 million from Proposition 50 was allocated to this program in 2003-04.
- **Water Recycling.** The budget includes \$6.4 million in Proposition 13 bond funds to cover anticipated commitments for construction grant projects ready to proceed to construction.

- **Non-Point Source Pollution Control Program.** The budget includes \$3.9 million in Proposition 13 bond funds for grants to local agencies and nonprofit organizations for projects that reduce non-point source pollution.
- **Watershed Protection.** The budget includes \$1.9 million in Proposition 13 bond funds for grants to fund projects that assist in implementing watershed plans to reduce flooding, control erosion, improve water quality, and improve habitats.
- **Agriculture Water Quality and Dairy Water Quality Programs.** The budget includes \$615,000 to support 6.5 new positions to implement the Agriculture Water Quality and Dairy Water Quality programs created in the 2004 budget.
- **Coastal Non-Point Source Pollution Control Program.** The budget includes \$385,000 in Proposition 13 bond funds for grants to fund coastal non-point source pollution control projects.

Governor's April Finance Letter. The Governor has submitted an April Finance letter requesting the following amendments to the budget to reappropriate and extend the liquidation period for bond funds allocated in prior budget years:

- **Extend Liquidation Period for Various Proposition 13 Programs.** The letter proposes to extend the liquidation period for \$6 million in Proposition 13 bond funds allocated in 2000-01 for Watershed Protection, Non-point Source Pollution Control, and Coastal Non-point Source Pollution Control Programs. The letter also proposes to extend the liquidation period for \$68 million in Proposition 13 bond funds allocated in 2001-02 for the same programs plus Lake Elsinore and San Jacinto Watershed Authority local assistance programs. Approximately \$295 million was allocated to these programs in the Proposition 13 bond. The board cites various unexpected project delays as the reason this extension is needed.
- **Southern California Integrated Watershed Program.** The letter proposes to reappropriate \$150,000 in Proposition 13 bond funds and extend the liquidation period for \$28 million in Proposition 13 bond funds to support the Southern California Integrated Watershed Program. These funds were appropriated in 2000-01 and 2001-02. Approximately \$235 million was allocated to this program in the Proposition 13 bond.
- **Water Recycling Projects.** The letter proposes to extend the liquidation period for approximately \$4 million in Proposition 50 bond funds that were allocated for water recycling projects in 2002-03. Approximately \$10 million in Proposition 50 bond funds was provided for water recycling in 2002-03.
- **Agriculture Water Quality Program.** The letter proposes to extend the liquidation period for \$9.5 million in grant funds provided in the current year. The board was given only one year to encumber these funds, which is not sufficient, given delays in developing guidelines and processing grant applications.

Previous Subcommittee Direction. At the April 25 meeting of the Subcommittee, action was withheld on the board's bond programs and the board was directed to provide the Subcommittee with the following information:

- The board's efforts to communicate its improved processes to the stakeholders participating in its grant processes.
- The board's review process for the implementation of the Ag Water Quality Grant Program and Dairy Water Quality Grant Program.

- The board's plans for awarding the \$66 million for coastal water quality, including any criteria that may be related to reducing discharges into ASBS.

Board Response. The board has provided staff with additional information on the issues raised at the last hearing. First, the board has indicated that it plans on taking the following actions to communicate to its stakeholders about the many changes it has made to its grant processes:

- Transmitting information directly to participants in past grant cycles.
- Improving the grant information available on the board's website.
- Providing additional information about the board's granting processes as part of the stakeholder workshops for upcoming grants.
- Establishing a consistent feedback mechanism for each grant cycle to continue to make improvements to the board's grant processes.
- Establishing a Water Board annual funding fair that provides an overview of the year's funding opportunities and improvements made to various processes.

Secondly, the board has provided additional information about its review process for the Ag Water Quality Grant Program and Dairy Water Quality Grant Program. The board indicates that reporting of project effectiveness and monitoring data are a part of all of the grants awarded by the board. Finally, the board indicates that it has dedicated \$2 million from Chapter 8 to address discharges in ASBS'. The board also indicates that a portion of the \$33 million for coastal non-point source pollution will be available for ASBS discharges.

Staff Recommendation. Staff recommends that the Subcommittee approve the board's bond proposals, including the April Finance letter as budgeted.